Workplace Safety and Insurance Board

Second Quarter 2015 Report to Stakeholders

wsib
cspaat
ONTARIO

Workplace Safety and Insurance Board
Commission de la sécurité professionnelle et de l'assurance contre les accidents du travail

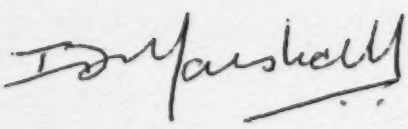
Management's Responsibility for Financial Reporting

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and accompanying unaudited condensed interim consolidated financial statements, as approved by the Board of Directors of the Workplace Safety and Insurance Board (the "WSIB"), are prepared by management as at and for the three and six months ended June 30, 2015.

The accompanying unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2015 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS").

In this MD&A, "WSIB," or the words "our," "us" or "we" refer to the WSIB. This MD&A is dated June 30, 2015, and all amounts herein are denominated in millions of Canadian dollars, unless otherwise stated.

The information in this MD&A includes amounts based on informed judgments and estimates. Forward-looking statements contained in this discussion represent management's expectations, estimates and projections regarding future events based on information currently available, and involve assumptions, inherent risks and uncertainties. Readers are cautioned that actual results may differ materially from projections in cases in which future events and circumstances do not occur as expected.



I. David Marshall
President and Chief Executive Officer
September 24, 2015
Toronto, Ontario

Pamela Steer
Chief Financial Officer

Management's Discussion and Analysis

Table of Contents

Section	Page	Description
1. Quarter in Review	4	Highlights of our performance for the three and six months ended June 30, 2015 compared to 2014.
2. Operating Results	7	A more detailed discussion of our financial performance for the three and six months ended June 30, 2015 compared to 2014.
3. Financial Condition	14	A discussion of the significant changes in our June 30, 2015 unaudited condensed interim consolidated statements of financial position.
4. Summary of Quarterly Results	15	A summary view of our quarterly financial performance.
5. Outlook	16	The outlook for our business.
6. Internal Control over Financial Reporting	16	A statement of responsibilities regarding internal control over financial reporting.
7. Non-IFRS Financial Measure	17	A definition of our non-IFRS financial measure.
8. Forward-looking Statements	17	Caution regarding forward-looking statements.
9. Condensed Interim Consolidated Financial Statements	18	Our second quarter 2015 unaudited condensed interim consolidated financial statements.

1. Quarter in Review

Highlights of our performance for the three and six months ended June 30, 2015 compared to 2014.

The following MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the WSIB as at and for the three and six months ended June 30, 2015 (the "interim consolidated financial statements").

Financial highlights for the three months ended June 30, 2015 compared to the three months ended June 30, 2014:

- We generated $226 million of total comprehensive income, reflecting continued strong operating performance resulting from growth in premium revenues and improved return to work outcomes resulting in lower benefit payments.
- Premium revenues increased $109 million or 10.0%, primarily reflecting a 4.5% increase in insurable earnings due to modest growth in the automotive, construction, health care, manufacturing and services industries, and a slight increase in the average premium rate charged to employers in 2015 as a result of shifts in industry sector mix and expanded coverage under the presumptive legislation for firefighters.
- The WSIB investment portfolio had a net investment loss of $308 million representing a negative return of 1.2% in the second quarter, a decrease of $827 million compared to the same period last year. Multi-asset (negative 2.1%), Public equity securities (negative 0.9%) and Fixed income (negative 1.8%) strategies were negatively impacted by the weakness in equity and bond markets as investors perceived that stronger economic conditions would lead to higher interest rates. Additionally, the Greek crisis came to a head at the end of the quarter, which caused temporary market uncertainty and a sell-off in equities. Infrastructure and Real estate returns of 1.5% and 1.1%, respectively, were driven by income distributions. While some properties continued to appreciate in value, this was offset by write-downs of certain investments in the global energy sector and in the retail sector of the domestic real estate portfolio.
- Benefit payments decreased $37 million or 6.0%, reflecting 1,503 or 3.7% fewer prior year claims including locked-in claims, as well as 651 or 6.0% fewer current injury year claims compared to the second quarter of 2014.
- Administration and other expenses, before allocation to benefit costs, increased $31 million or 17.5%, reflecting $10 million of higher bad debts expenses, $7 million of higher equipment and maintenance expenses, $4 million of higher long-term employee benefit expenses, $3 million of higher consulting and professional services, and $7 million of higher other operating expenses. Please refer to page 12 under Section 2 – Operating Results for further details.
- Other comprehensive income was $193 million primarily attributed to a 35 basis point increase in the interest rate used to value our employee benefit liabilities compared to December 31, 2014.

Financial highlights for the six months ended June 30, 2015 compared to the six months ended June 30, 2014:

- We generated $1,620 million of total comprehensive income, reflecting continued strong operating performance resulting from growth in premium revenues and improved return to work outcomes resulting in lower benefit payments.
- Premium revenues increased $116 million or 5.2%, primarily reflecting a 2.3% increase in insurable earnings due to modest growth in the automotive, construction, health care, manufacturing and services industries, and a slight increase in the average premium rate charged to employers in 2015 as a result of shifts in industry sector mix and expanded coverage under the presumptive legislation for firefighters, offset by higher net mandatory employer incentive programs expenses reflecting favourable claims experience. We continue to generate positive cash flows in our business as our premium revenues exceeded our operating expenses, thereby allowing us to transfer $685 million of cash generated from operating activities to our investment fund by the end of the second quarter.

- Despite weakness in the second quarter driven by rising interest rates and the Greek crisis, fund returns continue to exceed expectations in the first half of 2015 driven by strong foreign equity returns partially aided by a falling Canadian dollar, moderate bond returns and modest private market returns. Overall investment return was 4.7% compared to 6.5% in the same period last year. The investment portfolio increased to $25.5 billion at June 30, 2015, representing a $1.8 billion increase from December 31, 2014. Investment returns have been strong in recent years and have exceeded expectations. However, these results should not be extrapolated in the future, and we continue to target a 6.0% per annum rate of return on our investments over a rolling 10 to 15 year period.
- Benefit payments decreased $57 million or 4.7%, reflecting 1,981 or 4.3% fewer prior year claims including locked-in claims, as well as 892 or 5.6% fewer current injury year claims compared to the same period in prior year.
- Administration and other expenses, before allocation to benefit costs, increased $33 million or 9.3%, reflecting $12 million of higher long-term employee benefit expenses, $8 million of higher bad debts expenses, $8 million of higher equipment and maintenance expenses, $7 million of higher salaries and short-term benefit expenses and $5 million of higher other operating expenses, partially offset by $7 million of lower systems development and integration expenses. Please refer to page 12 under Section 2 – Operating Results for further details.
- Other comprehensive income was $69 million primarily attributed to a gain of $71 million due to the excess of actual returns over interest income on plan assets related to employee benefit plans.
- Our unfunded liability was $6,602 million as at June 30, 2015, a decrease of $1,496 million or 18.5% since December 31, 2014.

Operational highlights for the six months ended June 30, 2015:

Marginal increase in claim volumes. The number of registered claims in the second quarter of 2015 was 0.6% or 279 claims higher than last year. Lost-time claim volumes increased in 2015 compared to the same quarter in 2014, increasing from 12,924 to 13,264, while no-lost-time claim volumes were slightly lower, decreasing from 34,958 to 34,897. Overall for the first two quarters of 2015, total registered claims have decreased by 1.9% from the same period in 2014. The lost-time injury rate has continued to improve to 0.83 injuries per 100 workers reflecting an improvement of 8.8% compared to the lost-time injury rate of 0.91 in the same period in 2014.

Outcomes for injured workers continue to improve. In the second quarter of 2015, the WSIB's integrated recovery and return to work approach continued to result in positive outcomes for workers and employers. The Province of Ontario (the "Province") once again has some of the best recovery and return to work outcomes in Canada – 92.0% of injured workers continued to return to work within 12 months with no wage loss and 80.6% of injured workers completing the WSIB's Work Transition Program successfully found employment for the second quarter of 2015.

The percentage of workers remaining on loss of earnings benefits at key duration intervals also continued to improve. The percentages of workers on benefits at three and six months in the second quarter of 2015 are again at historical lows, decreasing from 11.9% to 10.8% and from 6.7% to 6.0%, respectively, compared to the same period in 2014. Longer-term durations at 48 and 72 months also improved compared to last year, decreasing from 3.1% to 2.3% and from 5.2% to 4.2%, respectively.

Health care investments continue to deliver improved recovery. Ongoing emphasis on early medical care for injured workers through services, such as Specialty Clinics and Programs of Care has helped to hold the percentage of workers with a permanent impairment at 5.8%, unchanged since 2014. The average permanent impairment award also declined slightly to 9.5% from 9.6% in the second quarter of 2014. Contributing to these improvements is the continued growth in the percentage of claims participating in these integrated health care programs, which increased to 41.2% of claims from 36.4% in the second quarter of 2014.

Timeliness of decisions continues to improve. Due to lower year-to-date claims volume and ongoing improvements to service efficiency, 91.8% of eligibility decisions were made within two weeks during the first half of 2015, which increased from 91.5% for the same period in 2014. The appeals process continued to be efficient and timely, and 88.9% of appeals were resolved within six months.

Encouraging customer satisfaction results continue. Based on the second quarter Customer Survey conducted by a third party, 80% of the injured workers and 85% of the employer respondents reported satisfaction with the WSIB's management of their claims. This level of satisfaction among injured workers is at a historical high (increased from 76% in the second quarter of last year and 73% in the first quarter of 2015) while employers' satisfaction has declined slightly (decreased from 87% in the second quarter of last year and 86% in the first quarter of 2015). With regard to employer accounts management, 9 out of every 10 respondents continued to be satisfied with the WSIB's service, unchanged from the same period in 2014.

2. Operating Results

A more detailed discussion of our financial performance for the three and six months ended June 30, 2015 compared to 2014.

This section provides a detailed discussion of our financial performance. All amounts herein are in millions of Canadian dollars, unless otherwise specified.

Financial highlights

The following table sets forth our operating results for the three and six months ended June 30:

	Three months ended June 30		Six months ended June 30	
(millions of Canadian dollars)	**2015**	**2014**	**2015**	**2014**
Revenues				
Premiums	1,239	1,128	2,405	2,279
Net mandatory employer incentive programs	(37)	(35)	(69)	(59)
	1,202	1,093	2,336	2,220
Net investment income (loss)				
Investment income (loss)	(264)	563	1,096	1,315
Investment expenses	(44)	(44)	(95)	(87)
	(308)	519	1,001	1,228
	894	**1,612**	**3,337**	**3,448**
Expenses				
Benefit costs				
Benefit payments	575	612	1,167	1,224
Claim administration costs	98	93	197	195
Change in actuarial valuation of benefit liabilities	(7)	111	55	209
	666	816	1,419	1,628
Loss of Retirement Income Fund contributions	14	15	28	30
Administration and other expenses	115	84	199	159
Legislated obligations and funding commitments	66	72	140	148
	861	**987**	**1,786**	**1,965**
Excess of revenues over expenses	**33**	**625**	**1,551**	**1,483**
Other comprehensive income (loss)				
Remeasurements of employee defined benefit plans	193	(114)	69	(255)
Total comprehensive income	**226**	**511**	**1,620**	**1,228**
Total comprehensive income attributable to:				
WSIB stakeholders	258	445	1,496	1,074
Non-controlling interests	(32)	66	124	154
	226	**511**	**1,620**	**1,228**
Other measures				
Core Earnings[1]	334	217	605	464
Return on investments[2]	(1.2%)	2.6%	4.7%	6.5%

	Jun. 30 2015	Dec. 31 2014
Unfunded liability[3]	(6,602)	(8,098)

1. Core Earnings is calculated as total comprehensive income, excluding the impacts of net investment income, changes in actuarial valuation and any items that are considered as material and exceptional in nature. See Section 7 – Non-IFRS Financial Measure.
2. Return on investments is calculated as the change in the fair value of the total investment portfolio, taking into account capital contributions and withdrawals prior to investment expenses.
3. Unfunded liability represents the deficiency of net assets attributable to WSIB stakeholders as at the end of the reporting period. The total deficiency of assets of $3,817 million as at June 30, 2015 (December 31, 2014 – $5,454 million) is allocated between the WSIB stakeholders and the non-controlling interests ("NCI") on the basis of their proportionate interests in the net assets of the WSIB. NCI represent the proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of $2,785 million as at June 30, 2015 (December 31, 2014 – $2,644 million) exclude benefit liabilities since the holders of NCI, the WSIB Employees' Pension Plan and other investors are not liable for those obligations. The proportionate share of the total deficiency of assets attributable to WSIB stakeholders as at June 30, 2015 was $6,602 million (December 31, 2014 – $8,098 million) which includes benefit liabilities. Refer to the interim consolidated statements of financial position for further details.

Premiums

A summary of premiums for the three and six months ended June 30 is as follows:

	Three months ended June 30				Six months ended June 30			
			Change				Change	
(millions of Canadian dollars)	2015	2014	$	%	2015	2014	$	%
Schedule 1 employer premiums								
Gross Schedule 1 premiums	1,203	1,097	106	9.7	2,341	2,219	122	5.5
Interest and penalties	18	13	5	38.5	29	23	6	26.1
	1,221	1,110	111	10.0	2,370	2,242	128	5.7
Schedule 2 employer administration fees	18	18	-	-	35	37	(2)	(5.4)
	1,239	1,128	111	9.8	2,405	2,279	126	5.5
Net mandatory employer incentive programs	(37)	(35)	(2)	(5.7)	(69)	(59)	(10)	(16.9)
	1,202	**1,093**	**109**	**10.0**	**2,336**	**2,220**	**116**	**5.2**

For the three months ended June 30, 2015, gross premiums increased $106 million or 9.7%, reflecting $51 million attributed to a 4.5% increase in insurable earnings and $55 million attributed to the slight increase in the average premium rate charged to employers in 2015, as a result of shifts in industry sector mix and expanded coverage under the presumptive legislation for firefighters.

For the six months ended June 30, 2015, gross premiums increased $122 million or 5.5%, reflecting $53 million attributed to a 2.3% increase in insurable earnings and $69 million attributed to the slight increase in the average premium rate charged to employers in 2015, as a result of shifts in industry sector mix and expanded coverage under the presumptive legislation for firefighters.

For the three and six months ended June 30, 2015, payouts in net mandatory employer incentive programs increased due to higher refunds available under the retrospective experience-rating programs, principally the New Experimental Experience Rating program (the "NEER"), reflecting favourable claims experience.

Net investment income

A summary of investment income (loss), segmented by asset class, for the three and six months ended June 30 is as follows:

	Three months ended June 30							
Asset Class	2015				2014			
(millions of Canadian dollars)	Investment income (loss)	Return %	Net asset value[1]	%	Investment income (loss)	Return %	Net asset value[1]	%
Public equity securities	(78)	(0.9)	9,358	36.6	198	2.4	8,253	36.5
Fixed income	(100)	(1.8)	6,217	24.3	106	2.1	5,568	24.6
Multi-asset	(127)	(2.1)	5,941	23.3	201	3.9	5,071	22.5
Real estate	29	1.1	2,037	8.0	46	1.9	1,932	8.6
Infrastructure	11	1.5	782	3.1	11	2.1	613	2.7
Cash and cash equivalents	1	-	1,117	4.4	1	-	1,084	4.8
Other	-	-	70	0.3	-	-	72	0.3
Investment income (loss)	**(264)**	**(1.2)**	**25,522**	**100.0**	**563**	**2.6**	**22,593**	**100.0**
Investment expenses	(44)				(44)			
Net investment income (loss)	**(308)**				**519**			

1. Total net asset value includes investment cash, investment receivables and payables, and investment derivatives.

For the three months ended June 30, 2015, net investment income decreased by $827 million over the same period last year, reflecting an overall negative return of 1.2% or net investment loss of $308 million for the second quarter. Returns from the Public equity securities (negative 0.9%), Fixed income (negative 1.8%), and Multi-asset (negative 2.1%) strategies were impacted by weakness in equity and bond markets. Real estate and Infrastructure returns of 1.1% and 1.5%, respectively, were driven by income distributions.

	Six months ended June 30							
Asset Class	**2015**				**2014**			
(millions of Canadian dollars)	**Investment income (loss)**	**Return %**	**Net asset value[1]**	**%**	**Investment income (loss)**	**Return %**	**Net asset value[1]**	**%**
Public equity securities	688	8.1	9,358	36.6	544	7.1	8,253	36.5
Fixed income	145	2.5	6,217	24.3	236	4.9	5,568	24.6
Multi-asset	194	3.2	5,941	23.3	429	8.8	5,071	22.5
Real estate	48	1.5	2,037	8.0	79	3.2	1,932	8.6
Infrastructure	19	0.9	782	3.1	24	4.4	613	2.7
Cash and cash equivalents	2	-	1,117	4.4	3	-	1,084	4.8
Other	-	-	70	0.3	-	-	72	0.3
Investment income	**1,096**	**4.7**	**25,522**	**100.0**	**1,315**	**6.5**	**22,593**	**100.0**
Investment expenses	(95)				(87)			
Net investment income	**1,001**				**1,228**			

1. Total net asset value includes investment cash, investment receivables and payables, and investment derivatives.

For the six months ended June 30, 2015, net investment income decreased by $227 million over the same period last year, reflecting an overall return of 4.7% year-to-date. Returns from the Fixed income (2.5%) strategies were lower, reflecting returns on capital that were not as strong as in 2014. Multi-asset (3.2%) strategies were also lower, resulting from the weakness in commodities which offset moderate equity and bond returns. Income in Real estate and Infrastructure strategies was partially offset by capital write-downs in assets associated with domestic retail and the global energy sectors, resulting in returns of 1.5% and 0.9%, respectively.

Benefit costs

Benefit costs consist of: (i) benefit payments to or on behalf of injured workers; (ii) claim administration costs, which represent an estimate of our administration costs necessary to support benefit programs; and (iii) the change in the actuarial valuation of our benefit liabilities, which represents an adjustment to the actuarially determined estimates for future claim costs existing at the date of the interim consolidated statements of financial position.

A summary of benefit costs for the three and six months ended June 30 is as follows:

	Three months ended June 30				Six months ended June 30			
			Change				Change	
(millions of Canadian dollars)	**2015**	**2014**	**$**	**%**	**2015**	**2014**	**$**	**%**
Benefit payments	575	612	(37)	(6.0)	1,167	1,224	(57)	(4.7)
Claim administration costs	98	93	5	5.4	197	195	2	1.0
Change in actuarial valuation of benefit liabilities	(7)	111	(118)	(100+)	55	209	(154)	(73.7)
Total benefit costs	**666**	**816**	**(150)**	**(18.4)**	**1,419**	**1,628**	**(209)**	**(12.8)**

Benefit payments

Benefit payments represent cash paid during the three and six months ended June 30 to or on behalf of injured workers. Benefit payments are comprised of the following:

	Three months ended June 30				Six months ended June 30			
			Change				Change	
(millions of Canadian dollars)	2015	2014	$	%	2015	2014	$	%
Loss of earnings	205	222	(17)	(7.7)	412	434	(22)	(5.1)
Workers' pensions	146	151	(5)	(3.3)	293	302	(9)	(3.0)
Health care	108	113	(5)	(4.4)	227	234	(7)	(3.0)
Future economic loss	53	58	(5)	(8.6)	108	116	(8)	(6.9)
Survivor benefits	46	44	2	4.5	92	88	4	4.5
External providers	9	12	(3)	(25.0)	18	24	(6)	(25.0)
Non-economic loss	11	13	(2)	(15.4)	22	24	(2)	(8.3)
Other	(3)	(1)	(2)	(100+)	(5)	2	(7)	(100+)
Total benefit payments	**575**	**612**	**(37)**	**(6.0)**	**1,167**	**1,224**	**(57)**	**(4.7)**

A summary of the significant changes in benefit payments for the three months ended June 30, 2015 is as follows:

- Loss of earnings benefits decreased primarily due to improved claims management through better recovery and return to work outcomes, reflecting 3,496 or 15.1% fewer non-locked-in claims as at June 30, 2015.
- Future economic loss benefits decreased reflecting the natural reduction in the number of claimants that reach age 65, the age at which these benefits cease. This program has been discontinued.
- External providers' expense decreased primarily due to fewer lost-time injuries and a more targeted approach to return to work.
- Other benefit payments decreased primarily due to lower overpayments and higher recoveries from third parties, resulting in a net recovery of $3 million during the second quarter of 2015.

A summary of the significant changes in benefit payments for the six months ended June 30, 2015 is as follows:

- Loss of earnings benefits decreased primarily due to improved claims management through better recovery and return to work outcomes, reflecting 4,217 or 12.4% fewer non-locked-in claims as at June 30, 2015. The lost-time injury rate decreased by 8.8% to 0.83 injuries per 100 workers, which also contributed to the decrease in loss of earnings benefits.
- Future economic loss benefits decreased reflecting the natural reduction in the number of claimants that reach age 65, the age at which these benefits cease. This program has been discontinued.
- External providers' expense decreased primarily due to fewer lost-time injuries and a more targeted approach to return to work.
- Other benefit payments decreased primarily due to lower overpayments and higher recoveries from third parties, resulting in a net recovery of $5 million during the first half of 2015.

Claim administration costs

Claim administration costs reflect the portions of administration and other expenses and legislated obligations and funding commitments expenses allocated to benefit costs. A summary of claim administration costs for the three and six months ended June 30 is as follows:

	Three months ended June 30				Six months ended June 30			
			Change				Change	
(millions of Canadian dollars)	**2015**	**2014**	**$**	**%**	**2015**	**2014**	**$**	**%**
Allocation from administration and other expenses	93	93	-	-	188	195	(7)	(3.6)
Allocation from legislated obligations and funding commitments expenses	5	-	5	100+	9	-	9	100+
Total claim administration costs	**98**	**93**	**5**	**5.4**	**197**	**195**	**2**	**1.0**

For the three and six months ended June 30, 2015, the increase was primarily attributed to a higher allocation percentage of claim administration costs from legislated obligations and funding commitments compared to the prior year.

Changes in actuarial valuation of benefit liabilities

	Three months ended June 30		Six months ended June 30	
(millions of Canadian dollars)	**2015**	**2014**	**2015**	**2014**
Change in actuarial valuation of benefit liabilities	(7)	111	55	209

For the six months ended June 30, 2015, the change in actuarial valuation of benefit liabilities primarily reflects favourable experience in loss of earnings, as well as a lower New Claims Cost for 2015 compared to 2014.

Change in actuarial valuation of benefit liabilities for the six months ended June 30 is detailed as follows:

(millions of Canadian dollars)	
Benefit liabilities as at December 31, 2014	**26,800**
Payments made in 2015 for prior injury years	(1,269)
Interest accretion[1]	618
Liabilities incurred for the 2015 injury year	801
Experience gains[2]	(95)
Benefit liabilities as at June 30, 2015	**26,855**
Change in actuarial valuation of benefit liabilities	**55**

1. Accretion represents the estimated interest cost of the benefit liabilities, considering the discount rate, benefit liabilities at the beginning of the period and payments made during the period.
2. The majority of experience gains is related to loss of earnings benefits.

Administration and other expenses

	Three months ended June 30				Six months ended June 30			
			Change				Change	
(millions of Canadian dollars)	**2015**	**2014**	**$**	**%**	**2015**	**2014**	**$**	**%**
Salaries and short-term benefits	101	100	1	1.0	204	197	7	3.6
Long-term employee benefit plans	36	32	4	12.5	76	64	12	18.8
Bad debts	29	19	10	52.6	27	19	8	42.1
Communications	4	3	1	33.3	6	5	1	20.0
Depreciation and amortization	4	2	2	100.0	5	6	(1)	(16.7)
Equipment and maintenance	15	8	7	87.5	30	22	8	36.4
Facilities	9	8	1	12.5	19	19	-	-
Systems development and integration	1	2	(1)	(50.0)	2	9	(7)	(77.8)
Termination benefits	-	(2)	2	100.0	2	-	2	100+
Other	9	5	4	80.0	16	13	3	23.1
	208	177	31	17.5	387	354	33	9.3
Claim administration costs allocated to benefit costs	(93)	(93)	-	-	(188)	(195)	7	3.6
Total administration and other expenses	**115**	**84**	**31**	**36.9**	**199**	**159**	**40**	**25.2**

A summary of the significant changes in administration and other expenses, before allocation to benefit costs, for the three months ended June 30, 2015 is as follows:

- Long-term employee benefit plans increased primarily due to a 70 basis point decrease (from 4.7% to 4.0%) in interest rates used to value our pension and other post-retirement obligations, which include life insurance, dental and extended health coverage.
- Bad debts increased primarily due to accounts deemed uncollectible.
- Equipment and maintenance expenses increased, reflecting higher infrastructure support costs.
- Other expenses increased, primarily due to higher consulting and professional services.

A summary of the significant changes in administration and other expenses, before allocation to benefit costs, for the six months ended June 30, 2015 is as follows:

- Salaries and short-term benefits increased reflecting inflationary pressures and higher costs for temporary staff to support our business transformation efforts.
- Long-term employee benefit plans increased primarily due to a 70 basis point decrease (from 4.7% to 4.0%) in interest rates used to value our pension and other post-retirement obligations, which include life insurance, dental and extended health coverage.
- Bad debts increased primarily due to accounts deemed uncollectible.
- Equipment and maintenance expenses increased, reflecting higher infrastructure support costs.
- Systems development and integration expenses decreased reflecting an increase in development costs that are eligible to be capitalized.

Legislated obligations and funding commitments expenses

(millions of Canadian dollars)	Three months ended June 30		Change		Six months ended June 30		Change	
	2015	2014	$	%	2015	2014	$	%
Legislated obligations								
Occupational Health and Safety Act	23	23	-	-	47	47	-	-
Ministry of Labour Prevention Costs	26	25	1	4.0	55	54	1	1.9
	49	48	1	2.1	102	101	1	1.0
Workplace Safety and Insurance Appeals Tribunal	5	6	(1)	(16.7)	10	10	-	-
Workplace Safety and Insurance Advisory Program								
Office of the Worker Adviser	2	3	(1)	(33.3)	6	7	(1)	(14.3)
Office of the Employer Adviser	1	1	-	-	2	2	-	-
	3	4	(1)	(25.0)	8	9	(1)	(11.1)
Total legislated obligations	**57**	**58**	**(1)**	**(1.7)**	**120**	**120**	**-**	**-**
Funding commitments								
Grants	1	1	-	-	1	1	-	-
Safety program rebates	13	13	-	-	28	27	1	3.7
Total funding commitments	**14**	**14**	**-**	**-**	**29**	**28**	**1**	**3.6**
	71	**72**	**(1)**	**(1.4)**	**149**	**148**	**1**	**0.7**
Claim administration costs allocated to benefit costs	(5)	-	(5)	(100+)	(9)	-	(9)	(100+)
Total legislated obligations and funding commitments	**66**	**72**	**(6)**	**(8.3)**	**140**	**148**	**(8)**	**(5.4)**

For the three months ended June 30, 2015, legislated obligations and funding commitments expenses, before allocation to benefit costs, decreased $1 million or 1.4%, reflecting lower expenses for the Workplace Safety and Insurance Appeals Tribunal and the Office of the Worker Adviser.

For the six months ended June 30, 2015, legislated obligations and funding commitments expenses, before allocation to benefit costs, increased $1 million or 0.7%, reflecting higher Safety program rebates.

3. Financial Condition

A discussion of the significant changes in our June 30, 2015 interim consolidated statements of financial position.

Changes in our interim consolidated statements of financial position are as follows:

(millions of Canadian dollars)	Jun. 30 2015	Dec. 31 2014	Change $	Change %	Commentary
Assets					
Cash and cash equivalents	1,463	1,473	(10)	(0.7)	Refer to the interim consolidated statements of cash flows in the interim consolidated financial statements for details.
Receivables	1,666	1,303	363	27.9	Increase primarily reflects higher investment receivables.
Public equity securities	9,917	9,136	781	8.5	Net increase primarily due to changes in fair values and contributions. Refer to Section 2 – Operating Results for details.
Bonds	6,723	6,307	416	6.6	
Derivative assets	49	158	(109)	(69.0)	
Other invested assets	7,426	6,960	466	6.7	
Property and equipment	122	124	(2)	(1.6)	No significant changes.
Intangible assets	141	110	31	28.2	Increase due to implementation of a new system.
Liabilities					
Payables and accruals	1,350	1,186	164	13.8	Increase primarily reflects higher accruals for administration expenses and experience rating programs.
Derivative liabilities	170	97	73	75.3	Increase primarily reflects changes in our currency hedge position within our investment portfolio.
Long-term debt	52	52	-	-	No significant changes.
Loss of Retirement Income Fund liability	1,716	1,663	53	3.2	No significant changes.
Employee benefit plans liability	1,181	1,227	(46)	(3.7)	No significant changes.
Benefit liabilities	26,855	26,800	55	0.2	No significant changes. Refer to Section 2 – Operating Results for details.
Unfunded liability	(6,602)	(8,098)	1,496	18.5	Total comprehensive income attributable to WSIB stakeholders.

4. Summary of Quarterly Results

A summary view of our quarterly financial performance.

Selected financial information for the eight consecutive quarters ended June 30, 2015 is as follows:

	2015		2014				2013	
(millions of Canadian dollars)	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Net premiums	1,202	1,134	1,127	1,120	1,093	1,127	1,034	1,149
Net investment income (loss)	(308)	1,309	554	145	519	709	894	532
Benefit costs								
Benefit payments	575	592	610	586	612	612	629	613
Claim administration costs	98	99	68	100	93	102	92	109
Change in actuarial valuation of benefit liabilities	(7)	62	(153)	(216)	111	98	(330)	(100)
	666	753	525	470	816	812	391	622
Loss of Retirement Income Fund contributions	14	14	15	14	15	15	15	16
Administration and other expenses	115	84	131	68	84	75	144	85
Legislated obligations and funding commitments	66	74	56	72	72	76	52	72
Excess of revenues over expenses	33	1,518	954	641	625	858	1,326	886
Remeasurements of employee defined benefit plans (Other comprehensive income (loss))	193	(124)	34	(75)	(114)	(141)	308	202
Total comprehensive income	226	1,394	988	566	511	717	1,634	1,088
Total comprehensive income attributable to WSIB stakeholders	258	1,238	921	545	445	629	1,523	1,020
Other measures								
Core Earnings[1]	334	271	247	280	217	247	102	254
Return on investments (%)[2]	(1.2)	6.0	2.7	0.8	2.6	3.8	5.0	3.1
Unfunded liability[3]	6,602	6,860	8,098	9,019	9,564	10,009	10,638	12,161

Our quarterly revenues and expenses are impacted by a number of trends and recurring factors such as seasonality as well as general economic and market conditions. Our premium revenues are also impacted by insurable earnings, which rise and fall with the employment levels in the industries we insure. The decline in net investment income in the second quarter reflects weakness in equity and bond markets as investors perceived that stronger economic conditions would lead to higher interest rates. Additionally, the Greek crisis came to a head at the end of the quarter, which caused temporary market uncertainty and a sell-off in equities. This weakness somewhat tempered strong results earlier in the year.

1. Core Earnings is calculated as total comprehensive income, excluding the impacts of net investment income, changes in actuarial valuation and any items that are considered as material and exceptional in nature. See Section 7 – Non-IFRS Financial Measure.
2. Return on investments is calculated as the change in the fair value of the total investment portfolio, taking into account capital contributions and withdrawals prior to investment expenses. Does not equal annual figures due to rounding.
3. Unfunded liability represents the deficiency of net assets attributable to WSIB stakeholders as at the end of the reporting period. The total deficiency of assets of $3,817 million as at June 30, 2015 (December 31, 2014 – $5,454 million) is allocated between the WSIB stakeholders and the NCI on the basis of their proportionate interests in the net assets of the WSIB. NCI represent the proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of $2,785 million as at June 30, 2015 (December 31, 2014 – $2,644 million) exclude benefit liabilities since the holders of NCI, the WSIB Employees' Pension Plan and other investors are not liable for those obligations. The proportionate share of the total deficiency of assets attributable to WSIB stakeholders as at June 30, 2015 was $6,602 million (December 31, 2014 – $8,098 million) which includes benefit liabilities. Refer to the interim consolidated statements of financial position for further details.

5. Outlook

The outlook for our business.

Original Expectation	Current Outlook
Premiums. Modest increase reflecting a 3.0% increase in insurable earnings and no increase in the published premium rates, offset by $8 million of higher net mandatory employer incentive programs expense.	*Premiums.* Downgraded to 2.5% insurable earnings growth to reflect current trends, offset by $14 million of higher net mandatory employer incentive programs expenses.
Net investment income. We anticipate annual investment income will approximate 6.0% over the long-term.	*Net investment income.* No significant change.
Benefit costs. Continued downward trend reflecting improved operating results.	*Benefit costs.* No significant change.
Administration and other expenses. Modest increase reflecting increases to the pension liability and higher systems development and integration expenses.	*Administration and other expenses.* No significant change.
Legislated obligations. Modest growth in this area reflecting an increase in Safety program rebates.	*Legislated obligations.* No significant change.
Unfunded liability. Based on current funding and benefit levels and as measured under current accounting and actuarial standards, we believe the unfunded liability will decrease in 2015 and beyond, reflecting continued improved operating performance.	*Unfunded liability.* No significant change.

6. Internal Control over Financial Reporting

A statement of responsibilities regarding internal control over financial reporting.

Management is responsible for the accuracy, integrity and objectivity of the interim consolidated financial statements within reasonable limits of materiality. The WSIB's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of interim consolidated financial statements for external purposes in accordance with IFRS. Management is also responsible for the preparation and presentation of additional financial information included in the annual report and ensuring its consistency with the interim consolidated financial statements.

7. Non-IFRS Financial Measure

A definition of our non-IFRS financial measure.

Core Earnings

The WSIB utilizes "Core Earnings," a non-IFRS financial measure, to help stakeholders better understand our underlying operating performance. This measure is relevant in how we manage our operations and offers a consistent methodology in evaluating our underlying performance. Core Earnings are defined as total comprehensive income excluding the impacts of investment income, changes in actuarial valuation and any items that are considered as material and exceptional in nature. This measure does not have any standard meaning prescribed by IFRS and is not necessarily comparable to similarly titled measures of other organizations.

Set forth below is the reconciliation of Core Earnings and total comprehensive income, the most directly comparable financial measure calculated and presented in consistent with IFRS:

	Three months ended June 30		Six months ended June 30	
(millions of Canadian dollars)	**2015**	**2014**	**2015**	**2014**
Total comprehensive income for the period	226	511	1,620	1,228
Add/(Less): Net investment income	308	(519)	(1,001)	(1,228)
Add/(Less): Change in actuarial valuation of benefit liabilities	(7)	111	55	209
Add/(Less): Change in actuarial valuation of employee benefit plans	(193)	114	(69)	255
Core Earnings	**334**	**217**	**605**	**464**

8. Forward-looking Statements

Caution regarding forward-looking statements.

This MD&A constitutes "forward-looking statements," within the meaning of applicable Canadian securities laws. Forward-looking statements can be identified by the use of words such as "anticipates," or "believes," "budget," "estimates," "expects," or "is expected," "forecasts," "intends," "plans," "scheduled," or variations of such words and phrases or state that certain actions, events or results "could," "may," "might," "will," "would," or be taken, occur or be achieved. These forward-looking statements are based on current expectations, various assumptions and analyses, expected future developments and other factors we believe are appropriate in the circumstances. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in our forward-looking statements.

We believe that the expectations represented by our forward-looking statements are reasonable, yet there can be no assurance that such expectations will prove to be correct. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding our anticipated financial performance and may not be appropriate for other purposes. Furthermore, unless otherwise stated, the forward-looking statements contained in this report are made as of the date of this report and we do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise unless required by applicable legislation or regulation.

WORKPLACE SAFETY AND INSURANCE BOARD

Condensed Interim Consolidated Statements of Financial Position
Unaudited (millions of Canadian dollars)

	Note	June 30 2015	December 31 2014
Assets			
Cash and cash equivalents	7	1,463	1,473
Receivables		1,666	1,303
Public equity securities	3	9,917	9,136
Bonds	3	6,723	6,307
Derivative assets	3	49	158
Other invested assets	3	7,426	6,960
Property and equipment		122	124
Intangible assets		141	110
Total assets		**27,507**	**25,571**
Liabilities			
Payables and accruals		1,350	1,186
Derivative liabilities		170	97
Long-term debt		52	52
Loss of Retirement Income Fund liability		1,716	1,663
Employee benefit plans liability	4	1,181	1,227
Benefit liabilities	5	26,855	26,800
Total liabilities		**31,324**	**31,025**
Deficiency of assets			
Unfunded liability attributable to WSIB stakeholders		(6,602)	(8,098)
Non-controlling interests		2,785	2,644
Total deficiency of assets		**(3,817)**	**(5,454)**
Total liabilities and deficiency of assets		**27,507**	**25,571**

Commitments and contingent liabilities (note 6)

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

WORKPLACE SAFETY AND INSURANCE BOARD

Condensed Interim Consolidated Statements of Comprehensive Income

Unaudited (millions of Canadian dollars)

	Note	Three months ended June 30 2015	Three months ended June 30 2014	Six months ended June 30 2015	Six months ended June 30 2014
Revenues					
Premiums		1,239	1,128	2,405	2,279
Net mandatory employer incentive programs		(37)	(35)	(69)	(59)
		1,202	1,093	2,336	2,220
Net investment income (loss)					
Investment income (loss)	3	(264)	563	1,096	1,315
Investment expenses	3	(44)	(44)	(95)	(87)
Total net investment income (loss)		(308)	519	1,001	1,228
Total revenues		**894**	**1,612**	**3,337**	**3,448**
Expenses					
Benefit costs					
Benefit payments		575	612	1,167	1,224
Claim administration costs		98	93	197	195
Change in actuarial valuation of benefit liabilities		(7)	111	55	209
		666	816	1,419	1,628
Loss of Retirement Income Fund contributions		14	15	28	30
Administration and other expenses		115	84	199	159
Legislated obligations and funding commitments		66	72	140	148
Total expenses		**861**	**987**	**1,786**	**1,965**
Excess of revenues over expenses		**33**	**625**	**1,551**	**1,483**
Other comprehensive income (loss)					
Remeasurements of employee defined benefit plans	4	193	(114)	69	(255)
Total comprehensive income		**226**	**511**	**1,620**	**1,228**

	Three months ended June 30 2015	Three months ended June 30 2014	Six months ended June 30 2015	Six months ended June 30 2014
Excess of revenues over expenses attributable to:				
WSIB stakeholders	65	559	1,427	1,329
Non-controlling interests	(32)	66	124	154
	33	**625**	**1,551**	**1,483**
Total comprehensive income attributable to:				
WSIB stakeholders	258	445	1,496	1,074
Non-controlling interests	(32)	66	124	154
	226	**511**	**1,620**	**1,228**

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

WORKPLACE SAFETY AND INSURANCE BOARD

Condensed Interim Consolidated Statements of Changes in Deficiency of Assets
Unaudited (millions of Canadian dollars)

	Note	Deficiency of assets		
		Unfunded liability attributable to WSIB stakeholders	Non-controlling interests	Total
Balance as at December 31, 2013		(10,638)	2,394	(8,244)
Excess of revenues over expenses		1,329	154	1,483
Remeasurements of employee defined benefit plans	4	(255)	-	(255)
Change in ownership share in investments		-	(17)	(17)
Balance as at June 30, 2014		(9,564)	2,531	(7,033)
Excess of revenues over expenses		1,507	88	1,595
Remeasurements of employee defined benefit plans		(41)	-	(41)
Change in ownership share in investments		-	25	25
Balance as at December 31, 2014		(8,098)	2,644	(5,454)
Excess of revenues over expenses		1,427	124	1,551
Remeasurements of employee defined benefit plans	4	69	-	69
Change in ownership share in investments		-	17	17
Balance as at June 30, 2015		**(6,602)**	**2,785**	**(3,817)**

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

WORKPLACE SAFETY AND INSURANCE BOARD

Condensed Interim Consolidated Statements of Cash Flows

Unaudited (millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2015	**2014**	**2015**	**2014**
Operating activities:				
Total comprehensive income	226	511	1,620	1,228
Adjustments:				
Amortization of net premium on investments	1	-	1	3
Depreciation and amortization of property, equipment and intangible assets	4	3	7	8
Changes in fair value of investments	465	(411)	(845)	(1,048)
Changes in fair value of investment properties	3	(12)	18	(13)
Dividend income from public equity securities	(98)	(88)	(162)	(169)
Income from associates and joint ventures	(7)	(7)	(15)	(14)
Interest income	(58)	(55)	(109)	(108)
Interest expense	3	4	7	7
Total comprehensive income (loss) after adjustments	539	(55)	522	(106)
Changes in non-cash balances related to operations:				
Receivables, excluding those related to investing activities	(44)	9	(98)	(62)
Payables and accruals, excluding those related to investing and financing activities	86	63	18	3
Loss of Retirement Income Fund liability	(24)	33	53	80
Employee benefit plans liability	(182)	117	(46)	265
Benefit liabilities	(7)	111	55	209
Total changes in non-cash balances related to operations	(171)	333	(18)	495
Net cash provided by operating activities	**368**	**278**	**504**	**389**
Investing activities:				
Dividends received from public equity securities, associates and joint ventures	100	92	168	173
Interest received	77	72	109	107
Purchases of property, equipment and intangible assets	(18)	(33)	(35)	(38)
Purchases of investments	(2,745)	(2,941)	(6,179)	(5,595)
Proceeds on sales and maturities of investments	2,362	2,587	5,449	5,372
Additions to investment properties	(14)	(9)	(20)	(16)
Acquisitions of associates and joint ventures	(5)	(4)	(10)	(43)
Proceeds on disposition of associates and joint ventures	-	1	-	1
Business acquisitions	-	-	-	(184)
Net cash required by investing activities	**(243)**	**(235)**	**(518)**	**(223)**
Financing activities:				
Disposition of non-controlling interests	36	11	51	28
Distributions paid by subsidiaries to non-controlling interests	(16)	(25)	(34)	(45)
Net issue (repayment) of debt	(7)	1	(7)	-
Interest paid on debt	(3)	(4)	(6)	(7)
Net cash provided (required) by financing activities	**10**	**(17)**	**4**	**(24)**
Net increase (decrease) in cash and cash equivalents	**135**	**26**	**(10)**	**142**
Cash and cash equivalents, beginning of period	1,328	1,390	1,473	1,274
Cash and cash equivalents, end of period	**1,463**	**1,416**	**1,463**	**1,416**

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

WORKPLACE SAFETY AND INSURANCE BOARD

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2015
Unaudited (millions of Canadian dollars)

1. Nature of Operations

The Workplace Safety and Insurance Board (the "WSIB") is a statutory corporation created by an Act of the Ontario Legislature in 1914 and domiciled in the Province of Ontario (the "Province"). As a trust agency of the Government of Ontario, the WSIB is responsible for administering the *Workplace Safety and Insurance Act, 1997* (Ontario) (the "WSIA"), which establishes a no-fault insurance scheme that provides benefits to workers who experience workplace injuries or illnesses.

The WSIB promotes workplace health and safety in the Province and provides a workplace compensation system for Ontario based employers and workers. The WSIB is funded entirely by employer premiums and does not receive any government funding or assistance. Revenues are also earned from a diversified investment portfolio held to meet future obligations on existing claims.

The WSIB's registered office is located at 200 Front Street West, Toronto, Ontario, M5V 3J1.

2. Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting,* using accounting policies consistent with International Financial Reporting Standards ("IFRS"), which have been adopted by the Accounting Standards Board of Canada as Canadian generally accepted accounting principles for public interest entities.

These condensed interim consolidated financial statements were authorized for issuance by the WSIB's Board of Directors on September 24, 2015.

3. Invested Assets and Net Investment Income

The following provides a summary of the nature of the invested assets by asset strategy:

	Public equities	Fixed income	Multi-asset	Real estate	Infra-structure	Other	Jun. 30 2015	Dec. 31 2014
Public equity securities (note 7)	9,376	-	541	-	-	-	9,917	9,136
Bonds (note 7)	-	6,295	428	-	-	-	6,723	6,307
Derivative assets (note 7)	-	-	49	-	-	-	49	158
Alternative investments (note 7)[1]	-	-	4,531	440	652	70	5,693	5,239
Investment properties (note 7)	-	-	-	1,196	-	-	1,196	1,194
Investments in associates and joint ventures	-	-	-	402	135	-	537	527
Other invested assets	-	-	4,531	2,038	787	70	7,426	6,960

1. Alternative investments include private market investments, pooled funds and annuities.

Net investment income

Net investment income (loss) is as follows:

	Three months ended June 30		Six months ended June 30	
	2015	**2014**	**2015**	**2014**
Public equity securities	(87)	155	905	647
Bonds	(109)	111	188	271
Alternative investments	(96)	(17)	506	235
Income from investment properties	22	38	33	63
Income from associates and joint ventures	7	7	15	14
Derivatives	(18)	305	(485)	169
Cash and cash equivalents	-	-	1	1
Less: Investment expenses	(44)	(44)	(95)	(87)
Less: Loss (income) attributable to Loss of Retirement Income Fund	17	(36)	(67)	(85)
Net investment income (loss)	**(308)**	**519**	**1,001**	**1,228**

Net investment income (loss) is comprised of the following:

	Three months ended June 30		Six months ended June 30	
	2015	**2014**	**2015**	**2014**
Net gains (losses) on financial instruments	(465)	412	845	1,049
Interest and dividend income	155	142	270	274
Income from investment properties	22	38	33	63
Income from associates and joint ventures	7	7	15	14
Less: Loss (income) attributable to Loss of Retirement Income Fund	17	(36)	(67)	(85)
Investment income (loss)	**(264)**	**563**	**1,096**	**1,315**
Investment expenses	(44)	(44)	(95)	(87)
Net investment income (loss)	**(308)**	**519**	**1,001**	**1,228**

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Interim Consolidated Financial Statements
June 30, 2015
Unaudited (millions of Canadian dollars)

4. Employee Benefit Plans

Remeasurements of the employee defined benefit plans recognized in other comprehensive income (loss) are as follows:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Actuarial gains (losses) arising from changes in financial assumptions	249	(154)	-	(299)
Actuarial gains (losses) arising from changes in demographic assumptions	-	6	-	(51)
Actuarial gains (losses) arising from demographic and other experience	3	(2)	(2)	(1)
Excess (deficiency) of actual return on plan assets over interest income	(59)	36	71	96
Total remeasurements of employee defined benefit plans	**193**	**(114)**	**69**	**(255)**

Remeasurements are never reclassified to expenses; other comprehensive income (loss) related to the remeasurements is immediately transferred to the unfunded liability.

Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	June 30 2015	December 31 2014
Present value of wholly or partly funded obligations	3,189	3,118
Present value of unfunded obligations	719	708
Total present value of obligations	3,908	3,826
Fair value of plan assets	(2,727)	(2,599)
Employee benefit plans liability	**1,181**	**1,227**

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Interim Consolidated Financial Statements
June 30, 2015
Unaudited (millions of Canadian dollars)

5. Benefit Liabilities

Benefit liabilities are comprised of the following:

	June 30 2015	December 31 2014
Loss of earnings	9,157	9,015
Workers' pensions	5,948	6,115
Health care	3,931	3,849
Survivor benefits	2,717	2,687
Future economic loss	1,524	1,608
External providers	246	239
Non-economic loss	258	253
Long latency occupational diseases	1,911	1,886
Claim administration costs	1,163	1,148
Benefit liabilities	**26,855**	**26,800**

A summary of the changes in benefit liabilities is as follows:

	June 30 2015	December 31 2014
Benefit liabilities, beginning of period	26,800	26,960
Benefit costs	1,419	2,623
Benefit costs paid during the period	(1,364)	(2,783)
Benefit liabilities, end of period	**26,855**	**26,800**

6. Commitments and Contingent Liabilities

Investment commitments

The WSIB had the following commitments related to its investment portfolio:

	June 30 2015	December 31 2014
Real estate, multi-asset and infrastructure investments	860	948
Investments in associates and joint ventures	110	127
Purchases or development of investment properties	8	8
	978	**1,083**

Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at June 30, 2015 were approximately $255 for the period from July 1, 2015 to June 30, 2016.

Legal actions

The WSIB is engaged in various legal proceedings and claims that have arisen in the ordinary course of business, the outcome of which is subject to future resolution. Based on information currently known to the WSIB, management believes the probable ultimate resolution of all existing legal proceedings and claims will not have a material effect on the WSIB's financial position.

WORKPLACE SAFETY AND INSURANCE BOARD
Notes to Condensed Interim Consolidated Financial Statements
June 30, 2015
Unaudited (millions of Canadian dollars)

7. Fair Value Measurement and Disclosures

During the six months ended June 30, 2015 and the year ended December 31, 2014, there were no changes in the levels of classification of financial instruments. Transfers between levels within the hierarchy are recognized at the end of the reporting period.

The following table provides the fair value hierarchy classifications for assets and liabilities:

	June 30, 2015				December 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value								
Cash and cash equivalents[1]	597	866	-	1,463	658	815	-	1,473
Public equity securities	9,869	48	-	9,917	9,097	39	-	9,136
Bonds	-	6,723	-	6,723	-	6,307	-	6,307
Alternative investments	-	5,253	440	5,693	-	4,867	372	5,239
Investment properties	-	-	1,196	1,196	-	-	1,194	1,194
Derivative assets	-	49	-	49	-	158	-	158
Derivative liabilities	-	(170)	-	(170)	-	(97)	-	(97)
Liabilities for which fair value is disclosed								
Long-term debt	-	(63)	-	(63)	-	(64)	-	(64)

1. Cash and cash equivalents include cash of $597 and short-term money market securities of $866 (December 31, 2014 – $658 and $815, respectively).

The table below provides a general description of the valuation methods used for fair value measurements.

Hierarchy level	Valuation method
Level 1	Fair value is measured as the closing bid price for identical assets in an active public market at the reporting date.
Level 2	Where bid prices in an active public market are not available, observable inputs are used to estimate fair value using a market approach or an income approach. When using a market approach, fair value is estimated by adjusting the market price of a similar asset or liability, using inputs such as quoted interest or currency rates. Estimated fair value using an income approach is based on fixed future cash flows discounted using market interest rates for similar assets or liabilities.
Level 3	*Alternative investments* The fair value of alternative investments in real estate entities is estimated using valuations of the underlying investment properties, with the same methods as noted below for investment properties. *Investment properties* Fair values of investment properties are estimated based on valuations performed by qualified appraisers. The valuations of the investment properties are primarily based on discounted expected future cash flows of each property, using discount and terminal capitalization rates reflective of the characteristics, location and market

of the property. The future cash flows are based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. At least one valuation per year for each property is based on an independent appraisal.

Alternative investments in real estate entities (Level 3 fair value measurements)

The table below provides a reconciliation of the fair value of alternative investments in real estate entities:

	June 30 2015	December 31 2014
Balance, beginning of period	372	371
Purchases	67	3
Sales	-	(8)
Net gains recognized in net investment income	1	6
Balance, end of period	**440**	**372**

The following discount and terminal capitalization rates were used in the discounted cash flow estimates of fair value:

	June 30 2015	December 31 2014
Real estate entities		
Discount rates	5.5% - 8.3%	5.5% - 8.3%
Terminal capitalization rates	4.8% - 7.3%	4.8% - 7.8%

The WSIB has estimated that a 50 basis point increase in the assumptions used for both the terminal capitalization rate and discount rate would result in a $36 decrease (December 31, 2014 – $37) in the fair value of the real estate entities. A 50 basis point decrease in the assumptions used for both the terminal capitalization rate and discount rate would result in an estimated $45 increase (December 31, 2014 – $43) in the fair value of the real estate entities. The WSIB has also estimated that a five percent increase (decrease) in the expected future cash flows of the underlying properties would result in a $21 (December 31, 2014 – $21) increase (decrease) in the fair value of the real estate entities.

Investment properties (Level 3 fair value measurements)

The table below provides a reconciliation of the fair value of investment properties:

	June 30 2015	December 31 2014
Balance, beginning of period	1,194	970
Asset acquisitions	7	-
Business combinations	-	184
Capital expenditures	13	32
Net gains (losses) from changes in fair value	(18)	16
Other	-	(8)
Balance, end of period	**1,196**	**1,194**

8. Related Party Transactions

Government of Ontario and related entities

The WSIB is a trust agency of the Government of Ontario, responsible for administering the WSIA. As such, the WSIB is considered a government-related entity and is provided partial exemptions under IFRS from its disclosure of transactions with the Government of Ontario and its controlled ministries, agencies, and Crown corporations.

Pursuant to the WSIA, the WSIB is required to reimburse the Government of Ontario for all administrative costs of the *Occupational Health and Safety Act*. The WSIB is also required to fund costs associated with the Ministry of Labour's prevention activities, the Workplace Safety and Insurance Appeals Tribunal and the offices of the Worker and Employer Adviser. These reimbursements and associated amounts charged to employers are determined and approved by the Minister of Labour. The total funding provided under these legislated obligations and funding commitments for grants for the three and six months ended June 30, 2015 were $58 and $121, respectively (2014 – $59 and $121).

In addition to legislated obligations and funding commitments for grants, which the WSIB collectively presents in legislated obligations and funding commitments expenses, the condensed interim consolidated financial statements include amounts resulting from transactions conducted in the normal course of operations with various controlled ministries, agencies, and Crown corporations of the Government of Ontario.

The WSIB is required to reimburse the Ministry of Health and Long-Term Care ("MOHLTC") for physicians' fees for services to injured workers, as well as an administrative fee to the MOHLTC. Amounts paid to the MOHLTC for physicians' fees and administrative services for the three and six months ended June 30, 2015 were $9 and $18, respectively (2014 – $9 and $18).

Included in investments are $1,471 of marketable fixed income securities issued by the Government of Ontario and related entities (December 31, 2014 – $1,394).

Post-employment benefit plans

The WSIB's two employee defined benefit pension plans and other long-term employee benefit plans which include life insurance, dental and extended health coverage, are considered related parties. Note 4 provides details of transactions with these post-employment benefit plans.